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## BIWEEKLY REPORT

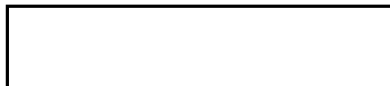
# SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

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20 May 1961

PREPARED BY THE WORKING GROUP  
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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Summary of Events  
5-18 May 1961

The Brazilian economic mission that has been traveling in Eastern Europe has signed new trade and payments agreements with Albania, Bulgaria, Rumania, and Hungary. Technical cooperation agreements also were signed with Rumania, Bulgaria, and Hungary. Rumania agreed to extend credits of as much as \$50 million for the purchase of industrial equipment, and Hungary agreed to barter machinery worth \$30 million for Brazilian cotton.

On 6 April, substantial quantities of small arms and ammunition were secretly offloaded from a Soviet ship in the Ghanaian port of Takoradi. President Nkrumah has acknowledged that the arms arrived and that they may be used in support of the Gizenga regime.

The shortage of petroleum storage facilities in Guinea has complicated Soviet petroleum deliveries. The USSR has offered to build such a facility outside Conakry -- a prospect which threatens the Western-owned installation at the port of Conakry.

India is reported to be negotiating with the USSR for the purchase of six An-12 transport aircraft, and a contract is expected to be signed in the near future. The prospective agreement follows India's purchase in November 1960 of eight An-12's.

On 5 May, Indonesia and Bulgaria concluded three economic agreements. An aid agreement calls for the extension of a \$5 million credit for the construction of industrial enterprises; a 3-year trade pact replaces the annual arrangements in effect since 1959; and a technical and scientific cooperation agreement provides for the exchange of students and specialists.

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS\*

I. Latin America

New Economic Agreements Negotiated by Brazilian Mission

A special Brazilian economic mission, which is headed by Joao Dantas, has completed its tour of the four European Satellites with which Brazil recently established diplomatic relations and is presently in Czechoslovakia. The mission signed new trade and payments agreements with Albania, Bulgaria, Rumania, and Hungary that envisage greatly expanded trade over the next 3 to 5 years. Rumania agreed to extend credits of as much as \$50 million\*\* for the purchase of industrial equipment during the next 5 years, and Hungary arranged for a special barter of machinery worth \$30 million for Brazilian cotton. Whether the Rumanian credit constitutes part of the payment provisions of the trade agreement or is a separate credit apart from the trade agreement is not clear. The mission also signed technical cooperation agreements with Rumania, Bulgaria, and Hungary.

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Although information concerning the details of the new agreements is vague, the reported trade goals appear to be extremely high. Statements made by the Dantas mission and other reports from Western Europe place the agreed level of the total trade between Brazil and Bulgaria, Rumania, and Hungary at \$150 million to \$200 million or more annually. This amount is in sharp contrast to the present level of Brazil's trade with these countries and exceeds the present level of Brazil's total trade with all Bloc countries. If the announced trade goals of the new agreements and of previously negotiated accords with

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\* Although the main emphasis of the Biweekly Report is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

\*\* Unless otherwise specified, all dollar values in this report are in terms of US dollars.

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Poland, Czechoslovakia, and the USSR were fulfilled, trade with the Bloc could by 1963 exceed 15 percent of Brazil's total commerce. [REDACTED]

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Among other accomplishments of the Dantas mission was the negotiation of technical cooperation agreements with Bulgaria, Rumania, and Hungary. Although Bloc technicians previously were involved in a few Brazilian development projects, their number was never large nor was their presence in Brazil sanctioned by formal agreements. Dantas also held preliminary discussions concerning the possibility of establishing a direct air route between Hungary and Brazil. It appears from a statement by Dantas in Budapest that this discussion may have been initiated without prior consultation with the Brazilian Government.

The economic goals set in the new agreements could be achieved -- granted sufficient political interest and motivation on the part of the Bloc. Brazil has surpluses of cotton, coffee, and other products that would permit expansion of its exports to the desired level if Bloc countries would be willing to accept these products in volume. Expansion into the so-called "new markets" of the Bloc is seen by some sectors of Brazilian opinion as a necessity for the country's continued economic development, and agreements with the Bloc also are viewed as affirming Brazil's independence of action. [REDACTED]

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## II. Africa

### A. Ghana

#### 1. Further Details on Bloc Economic Credits

[REDACTED] the credit of \$14 million extended by Poland in late April\* carries an interest rate of 3 percent and is repayable within 8 years. Two projects under the agreements, which were not previously enumerated, are a dairy project and a shipyard for the construction of power barges. [REDACTED]

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\* See the Biweekly Report of 8 May 1961.

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The agreement that Ghana signed with Hungary provides for an initial credit of \$7 million, repayable over 8 years at 2.5 percent interest. According to the Ghanaian Government, the credit will be used to finance the import of factories, machinery, and transport equipment. Specific projects mentioned as possibilities for subsequent negotiation include a pharmaceutical factory, an aluminum cable factory, a light-bulb factory, hydroelectric and steam power plants (presumably outside the proposed Volta net), irrigation plants, canning factories, flour mills, and railroad equipment. The Hungarian delegation indicated that the amount of the credit may be increased later to \$14 million. Technical assistance and cultural agreements also were concluded. The latter provides for 12 scholarships for Ghanaians for study in Hungary, which are in addition to the 10 proffered more than a year ago. [REDACTED]

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